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NICOR

Exhibit No.

F

NORTHERN ILLINOIS GAS COMPANY

D/B/A NICOR GAS COMPANY

Witness

SURREBUTTAL TESTIMONY OF

Date

3/1/01

Reporter

CB

ALBERT E. HARMS

ILLINOIS COMMERCE COMMISSION

DOCKET NOS. 00-0620 and 00-0621 CONSOLIDATED

1 Q. Please state your name and business address.

2 A. Albert E. Harms, 1844 Ferry Road, Naperville, Illinois 60563-9600.

3 Q. Are you the same Albert E. Harms that previously testified in this case?

4 A. Yes.

5 Q. What is the purpose of your surrebuttal testimony?

6 A. I will respond to the rebuttal testimony presented by Staff witnesses Sweatman,

7 Iannello and Schlaf, and the witnesses sponsored by the Citizen Utilities Board

8 ("CUB"), the Cook County States Attorney's Office and the People of the State of

9 Illinois, (collectively, Governmental and Consumers Intervenors ("GCI")), Mr.

10 Mierzwa and Ms. Alexander. I will address their testimony as it relates to

11 operation of the *Customer Select* program, excluding issues related to natural gas

12 supplies, which are addressed by Mr. Gilmore.

13 Q. Do you have general comments to make about Staff's and GCI's testimonies in

14 this case?

15 A. Yes. First, I would like to note that the Company is really not proposing any

16 substantial changes to what has already been in effect for the past three years.

17 Simply put, the Company is requesting that its very successful *Customer Select*

18 program be offered year-round to all customers. There are no proposed changes

19 to charges that have been in place for the last three years or to the majority of the

1 rules under which customers and Suppliers operate. The program has been
2 expanding each year and we anticipate that many of the Company's almost 2
3 million customers would like to have the same choices and opportunities these
4 other customers have had.

5 Second, Nicor Gas is the only active party in this case that has had actual
6 experience in developing and operating an open access program for small
7 customers. This results in many of the unsubstantiated arguments presented by
8 the other parties, such as: that charges are barriers to entry to the program; tariff
9 provisions favor one Supplier over another; there is massive customer confusion;
10 the program can only work if severe "customer protection" provisions are added;
11 and, what is "workable competition", being based on pure speculation and theory.

12 It is the market that will resolve many of these arguments. Essentially, some
13 parties are attempting to regulate the market and, at the same time, argue that
14 customers should be able to participate in an open market. Still others are making
15 theoretical arguments without the benefit of practical business experience.

16 Finally, there have been numerous references to electric unbundling in Illinois.

17 However, electric unbundling is still in its infancy, has not reached the residential
18 level yet, and has none of the characteristics of the more mature natural gas
19 industry which has been deregulated on the commodity side for over 15 years. To
20 make comparisons between the two industries is speculative and misguided, since
21 no electric utility has had the experience that comes with offering unbundled
22 service as long as Nicor Gas has offered it.

1 Nicor Gas' transportation tariffs have evolved over the years based on what the
2 Company has learned. As the Company stated in its petition to expand *Customer*
3 *Select*, Nicor Gas does not believe that its current program will continue
4 unchanged. There undoubtedly will be changes required by the market, and the
5 Company will respond accordingly. This actual experience approach is far better
6 than academically trying to define what the market should be like, and forcing
7 customer choice to fit a theoretical mold.

8 Q. What specific issues has Staff witness Sweatman raised in his rebuttal testimony
9 that you wish to respond to?

10 A. Mr. Sweatman's rebuttal testimony, concerning the Company's proposed charges
11 and the costs to provide the proposed services, continues to advocate somewhat
12 different charges than those proposed by Nicor Gas. The Company continues to
13 disagree with Mr. Sweatman's proposals and continues to believe that Nicor Gas'
14 proposed charges, which have been in effect for three years, and in some cases
15 reduced over that period of time, are just and reasonable.

16 Q. Does the Company believe that the Supplier Application Charge should remain at
17 the current one-time charge of \$2,000?

18 A. Yes. Nicor Gas' major point of disagreement with Mr. Sweatman's opinion is on
19 the amount of time the Company needs to educate the Supplier on the many
20 various issues presented by the program. It is simply Mr. Sweatman's opinion
21 that 8 man-hours is sufficient time to train a Supplier. The Company's actual
22 experience is that, on average, it takes at least 24 man-hours. In many cases, the

1 Company visits the Supplier and provides ongoing education needed to answer
2 the Supplier's questions. This is particularly true due to the rather high turnover
3 of employees of Suppliers necessitating more training. The Company also
4 provides training on changes in procedures. As suggested by Mr. Sweatman, the
5 following lists just a portion of the issues discussed by the Company and
6 Supplier:

7 Information Technology Representative

- 8 • Hardware and software requirements
- 9 • Electronic file description and record layout
- 10 • Electronic file transfer process
- 11 • Encryption process for electronic files
- 12 • Downloading of electronic data files

13
14 General Customer Select Program Representative

- 15
- 16 • Explanation of program rules and deadlines
- 17 • Explanation of tariff requirements
- 18 • Explanation of various tariff charges
- 19 • Contracts and agreements
- 20 • Enrollment process issues

21
22 Customer Select Operations Representative

- 23
- 24 • Day-to-day operational issues
- 25 • Supply and storage issues
- 26 • Nomination and forecasting process
- 27 • Specific account issues
- 28 • Billing inquires
- 29 • Customer service issues
- 30

31 In view of the foregoing, and the Company's knowledge of Suppliers' ever
32 changing educational needs, Nicor Gas knows that least 24 man-hours is needed

1 when meeting with a potential Supplier. It follows that the existing \$2,000 charge
2 is appropriate.

3 Q. What would the revenue impact be on the Company if the Commission accepts
4 Mr. Sweatman's proposed charge of \$1,385?

5 A. The potential revenue impact would be minimal, as the Supplier Application
6 Charge is a one-time charge. If ten additional Suppliers were added to the
7 program, the lost revenue would be \$6,150. Obviously, Staff's proposed
8 reduction to this charge is being opposed by the Company based on principle and
9 not on its revenue impact.

10 Q. With respect to the \$200 monthly Group Charge, is Mr. Sweatman's presumption
11 correct that fewer customers in a group results in less staff time needed to prepare
12 and input the required program information?

13 A. As I have consistently explained throughout this proceeding, the answer is no.
14 Again, it is Mr. Sweatman's subjective opinion that more customers in a group
15 requires more staff time. The Company's experience has been, however, that it
16 needs just as much time to prepare forecasts, nomination information, and billing
17 reports for a group with few customers as for a group with many customers. By
18 way of illustration, I have included as Surrebuttal Exhibits AEH-1 and AEH-2,
19 copies of two bills. Surrebuttal Exhibit AEH-1 is a bill for a Supplier group with
20 numerous customers and Surrebuttal Exhibit AEH-2 is a bill for a Supplier group
21 with few customers. As a review of these exhibits shows, the information
22 provided on the respective bills is identical. As I have previously noted, even

1 though the electronic processing time to aggregate the data for each Supplier is
2 different, the Company has not included computer processing time in its costs.
3 Clearly, the staff time required to complete the total process of providing the
4 information is the same regardless of the group's size. Therefore, the Company
5 continues to maintain that the current Group Charge of \$200 per month is
6 appropriate.

7 Q. Does Mr. Sweatman adequately support his proposal to bifurcate the Group
8 Charge at the 10,000 customer level?

9 A. No. Mr. Sweatman simply looks at the number of customers each Supplier has
10 and concludes that one Supplier has many customers while all the other Suppliers
11 have 7,500 customers or less. Therefore, he appears to reason, allowing for some
12 customer additions, 10,000 customers must be the right level. One must
13 remember, however, that Mr. Sweatman has proposed that the Group Charge of
14 \$200 be reduced to \$100 for groups with less than 10,000 customers based on his
15 subjective belief that less staff time is required for smaller groups. Nowhere does
16 he quantify, nor can he quantify, a monthly savings of 2.5 man-hours for small
17 groups (2.5 man-hours at \$40 per hour) as assumed in his direct testimony at line
18 485.

19 Q. If the Commission were to accept Mr. Sweatman's proposal for a two-part Group
20 Charge, what recommendation would you have?

21 A. I would recommend that each Supplier be restricted to only one group. As
22 *Customer Select* participation expands, Suppliers should not be allowed to receive

1 a below cost Group Charge based on the number of customers they acquire by
2 creating more groups to remain in the small size category. This would unfairly
3 cause the Company to absorb costs for the Suppliers' benefit.

4 Moreover, if *Customer Select* is made available to all 2 million Nicor Gas
5 customers and Suppliers are restricted to only one group, I would anticipate that
6 every Supplier would have over 10,000 customers and Mr. Sweatman's two-part
7 Group Charge proposal would be irrelevant.

8 Q. On page 5 of his rebuttal testimony, Mr. Sweatman discusses your interpretation
9 of his testimony relative to Illinois Power's administrative charge for electric
10 delivery services. Does Mr. Sweatman properly characterize your comments?

11 A. No. My point is that you must consider the underlying costs to be recovered by
12 an administrative charge or a Group Charge before you can determine if the
13 Commission did not approve recovery of similar costs, as alleged by Mr.
14 Sweatman. Mr. Sweatman admits at lines 95 to 97 that he did not attempt to
15 compare specific activities underlying Illinois Power's Administrative Charge and
16 Nicor Gas' Group Charge, yet he opines that "the Rider 16 Group Charge falls
17 into the category of a monthly administrative fee to alternative suppliers". His
18 argument that the Commission denied monthly fees proposed by electric utilities
19 should not be translated into a bias against Nicor Gas' proposed monthly fee, the
20 Group Charge. Just because Nicor Gas and Illinois Power proposed a monthly fee
21 to be applied to Suppliers does not mean they are both proposing to recover the
22 same costs in the same manner, because they are not.

1 Q. Mr. Sweatman maintains that the Company should not be permitted to recover
2 \$435,000 of annual "unassigned" costs and \$658,600 of "unrecovered" costs. Do
3 you agree?

4 A. No. Mr. Sweatman states that the unassigned costs, "do not appear to be incurred
5 only in relation to the *Customer Select* program since they are not identified as
6 being associated with one or more of the program's charges". (rebuttal
7 testimony, lines 105-107) I have never heard of, nor have I seen applied, a
8 standard that only permits costs directly associated with a charge to be recovered.
9 That is like saying all costs associated with construction and maintenance of a
10 utility's office are unrecoverable in base rates because they are not directly
11 associated with either a customer charge or a distribution charge. Under Mr.
12 Sweatman's approach, a utility would need to have an Office Charge appear on its
13 bill in order to recover office costs. The standard for recovery must be that the
14 costs are incurred because of *Customer Select*. The unassigned costs, as shown in
15 the direct testimony of Mr. Sweatman in Attachment 4A, clearly satisfy this
16 standard. Specifically:

17	Communications/Marketing	\$124,000
18	Relates to information that is more educational in	
19	nature given or made available to customers.	
20		
21	Community/Government Relations	\$50,000
22	Deals with community and legislative leaders on	
23	<i>Customer Select</i> issues and provide speakers	
24	for community groups.	
25		
26	Implementation Team	\$141,000
27	Staff assigned to monitor on going program requirements,	
28	meet with Suppliers, resolve issues, etc.	

1	Auditing	\$80,000
2	Staff to review firm transportation and supply agreements	
3	required of Suppliers and to monitor compliance with	
4	tariff provisions.	
5		
6	Finance	\$40,000
7	Staff to monitor credit worthiness, maintenance of letters	
8	of credit, parental guarantees, etc.	
9		

10 These costs are properly recoverable, and including them in the account charge
11 calculation is consistent with generally accepted cost of service study methods.

12 Mr. Sweatman states that \$658,600 of unrecovered costs, "should not be allowed
13 to be recovered due to the uncertainty regarding whether future program shortfalls
14 will actually occur" (Rebuttal testimony, lines 107 to 109). I certainly agree that
15 the Company's forecast of costs, customers and revenues is an estimate and not a
16 guarantee. However, this is no different than any forecast used in Commission
17 proceedings and is not a valid basis for arbitrarily disallowing cost recovery.

18 Q. What should be the Monthly Account Charge?

19 A. The Company has justified \$1.03 (Rebuttal Exhibit AEH-2). However, the
20 Company has taken the position that its current charges should remain unchanged,
21 which means the charge should continue to be \$1.00.

22 Q. Mr. Sweatman states at the end of his rebuttal testimony that the Company has not
23 adequately supported the Group Additions Charge and the mechanics of
24 administering the charge was not his concern. Why did you compare Nicor Gas'
25 proposed current Group Additions Charge with that of electric utilities?

26 A. My point was that the magnitude of the current Group Additions Charge is in line
27 with those of other utilities when one considers how the charges are applied. I

1 still believe that the Company has provided ample support for continuation of the
2 current \$10 Group Additions Charge.

3 Q. Staff witness Iannello contends that the Group Additions Charge should be
4 eliminated and the associated costs recovered by an increase in the monthly
5 Account Charge. Do you agree?

6 A. No. This proposal, if accepted by the Commission, would be contrary to the
7 Commission's expressed policy of having cost causers pay the costs. Since the
8 Company has isolated the costs required to change a customer from one Supplier
9 to another Supplier, it is proper that only customers switching to another Supplier
10 incur the proposed charge. Mr. Iannello's proposal would have customers paying
11 for switching even though they may never switch. Thus, switching customers
12 would be subsidized by non-switching customers. It is my understanding that the
13 Commission does not advocate subsidies in any form.

14 Additionally, I believe Mr. Iannello's concern about the \$10 fee and his reliance
15 on the reported average profit margin for a Supplier on a residential customer as
16 being \$25 versus a \$200 acquisition cost is misplaced in today's market. These
17 numbers appear to be from a pre-1998 survey that neither Mr. Iannello nor Mr.
18 Mierzwa has produced in response to Company data requests. Today's gas prices
19 are much higher than in 1998, widening the possibility of additional margin. I
20 believe the numbers reported by Mr. Iannello would be much different for the
21 Nicor Gas service territory. Certainly, by expanding *Customer Select* to all 2

1 million Nicor Gas customers, the average customer acquisition cost for a Supplier
2 should be greatly reduced.

3 Q. What final comments do you have on Mr. Iannello's proposal to convert the \$10
4 Group Additions Charge to a \$0.04 increase in the Monthly Account Charge?

5 A. I find it curious that Mr. Iannello proposes recovery of group addition related
6 costs through the monthly account charge. This is in direct conflict with Mr.
7 Sweatman's cost recovery standard by which he attempts to exclude recovery for
8 a substantial portion of *Customer Select* costs.

9 Q. Do you agree with Mr. Iannello's contention that fees and charges for *Customer*
10 *Select* disadvantage Suppliers competing with Nicor Energy L.L.C. because
11 revenues could be transferred from one sister company to another?

12 A. No. First of all, Mr. Iannello may not be cognizant of the fact that Nicor Energy
13 L.L.C. is a joint venture between Nicor Inc. and Dynegy. Therefore, there is not a
14 dollar-for-dollar benefit retention for Nicor Inc. of any revenues transferred
15 between Nicor Gas and Nicor Energy L.L.C. Second, Nicor Energy L.L.C. is a
16 separate corporation with separate goals and objectives from those of Nicor Gas.
17 This is simply a speculative opinion of both Mr. Iannello and Mr. Mierzwa.

18 Q. Mr. Iannello states at lines 119 and 120 that he does not expect taxing bodies to
19 ignore the fact that their tax revenues are shrinking and therefore they would do
20 something to offset the loss. Do you agree with Mr. Iannello?

21 A. Intuitively, one would expect Mr. Iannello to be correct. However, the facts do
22 not support his conclusion. Transportation service has been available to all Nicor

1 Gas commercial and industrial customers since 1987, and over one-half of the
2 Company's throughput is transportation gas for customers. In spite of this great
3 increase in transportation, only eight municipalities have revised their tax
4 ordinances to tax transportation gas (through imposition of use taxes), while 211
5 municipalities have made no adjustments. Likewise, the State of Illinois and the
6 Illinois Commerce Commission have not enacted tax rule changes for
7 transportation customers, and all Nicor Gas customers save these taxes if they
8 transport their own gas supplies. Therefore, Mr. Iannello's expectations, while
9 logical on the surface, are not supported by the facts.

10 Q. What is your response to Mr. Iannello's comments relative to Nicor Gas having
11 significant economies of scale in supply purchasing and capacity management?

12 A. As mentioned above, Nicor Gas only provides half the gas supplies transported on
13 its system and therefore has experienced a significant loss, if it ever had any, in
14 economies of scale for gas purchases. Essentially, in today's competitive gas
15 market, Nicor Gas pays the same for gas commodity as any other customer in the
16 Chicago area because anyone can buy gas at the Chicago citygate index price as
17 published in several industry news reports. This would be Nicor Gas' marginal
18 gas cost, just as it would be for any marketer, broker or customer. Basically, there
19 are no longer, if there ever were, economies of scale in gas commodity purchasing
20 due to the liquidity of the gas market in the Chicago area.

1 Q. Do you have any comments concerning the issue of a customer's responsibility
2 for paying gas supply costs originally charged to a Supplier but for which the
3 Supplier does not pay?

4 A. Yes. The Company would be willing to remove the tariff provision on this item
5 and attempt to collect charges directly from the Supplier. However, this position
6 would require the Company to be even more diligent in tracking Suppliers'
7 payments and gas deliveries and may require the Company to remove a Supplier
8 for failure to pay its bills, to the possible detriment of customers, earlier than
9 under the proposed provisions.

10 Q. What specific issues addressed by Mr. Mierzwa do you wish to comment upon?

11 A. Mr. Mierzwa touches on several of the same topics as Mr. Iannello and Mr.
12 Sweatman. These include the purported level of profit margin for a Supplier, the
13 competitiveness of the gas industry versus *Customer Select*, charges as being
14 barriers to entry to *Customer Select*, issuing a single bill, potential reduced
15 Company costs, and alleged benefits Nicor Energy L.L.C. may have over other
16 Suppliers. I have already discussed many of these topics above and have only a
17 few additional comments.

18 First, Mr. Mierzwa uses the same unknown industry survey reporting an average
19 acquisition cost of \$200 per customer and a \$25 margin per customer as cited by
20 Mr. Iannello. However, Mr. Iannello and Mr. Mierzwa have been unable to
21 provide to the Company the original survey to support the claim. Moreover,

1 assuming the survey exists, it has no relation to comparable amounts for the Nicor
2 Gas service territory and *Customer Select*.

3 Second, as stated above, Nicor Energy L.L.C. is a separate company from Nicor
4 Gas and is a joint venture with a third company. Therefore, a transfer of revenue
5 between Nicor Gas and Nicor Energy L.L.C., if one would take place and no one
6 in this case has even alleged that such transfer has happened, is not "All in the
7 Family".

8 Third, with respect to potential decreases in costs, it appears that Mr. Mierzwa has
9 only found one such cost, that of reduced carrying costs for storage volumes.

10 However, Mr. Mierzwa's calculation of the carrying costs for storage continues to
11 be incorrect, as I explained in my rebuttal testimony. Additionally, Mr.

12 Mierzwa's argument that Nicor Gas' current base rates are deemed adequate to
13 recover current costs until the Commission finds otherwise is misleading. I am
14 sure that Pacific Gas and Electric and Southern California Edison, now facing
15 bankruptcy, do not believe their current rates are adequate to recover all their
16 costs simply because the California Public Utility Commission has not increased
17 their rates.

18 As far as the argument that such a proposal by Mr. Mierzwa is single-issue
19 ratemaking, I have included as Surrebuttal Exhibit AEH-3 a response to CUB's
20 data request 5.3 which states my position on what is single-issue ratemaking.
21 Again, the Company is not proposing to change any of its current *Customer Select*
22 charges.

1 Q. Mr. Mierzwa continues to argue that *Customer Select* is structured to give Nicor
2 Energy L.L.C. competitive advantages. Is that true?

3 A. No. Mr. Mierzwa's claim of one Supplier being favored over other Suppliers is
4 wrong. In fact, Mr. Mierzwa has not provided any evidence to support this
5 speculative opinion. With respect to data request JDM-21 at page 10 of his
6 rebuttal testimony, Mr. Mierzwa attempts to mislead the reader into believing that
7 the Company has violated its own Standards of Conduct for the benefit of Nicor
8 Energy L.L.C. A fair reading of the Company's response to CUB data request 3.2
9 (GCI Exhibit 3.2), however, shows that Nicor Gas follows and enforces its own
10 Standards of Conduct. There is simply no evidence that Nicor Gas has violated
11 its own Standards of Conduct.

12 Q. Mr. Mierzwa claims Nicor Gas gives preferential treatment to Nicor Energy
13 L.L.C. through the transfer of employees. Please respond.

14 A. Mr. Mierzwa apparently fails to recognize the fact that non-affiliated suppliers
15 have access to Nicor Gas personnel just as Nicor Energy L.L.C. does. As I
16 pointed out in my rebuttal testimony, former Nicor Gas employees are working
17 for many marketers, brokers and suppliers. In fact, when a Nicor Gas employee
18 accepts a job at Nicor Energy L.L.C., which in any event has not happened for
19 over three years, it is the same as accepting a job at any non-affiliated company.
20 Nicor Energy has a different location, different salary structure, different benefits
21 and different job descriptions. Any employee changing jobs between the
22 companies completely severs ties with the former company.

1 Additionally, Mr. Mierzwa overstates these employees' impact on Nicor Energy
2 L.L.C.'s success with *Customer Select*. The fact of the matter is that only two of
3 the eight former Nicor Gas employees have had anything to do with Nicor Gas'
4 traditional non-*Customer Select* transportation services. The other six are
5 accountants by background and job experience at Nicor Gas. I fail to see how
6 these accountants could be deemed to have translated their skills into Nicor
7 Energy L.L.C.'s market share.

8 Finally, Mr. Mierzwa provides no support for his claim on page 11 that Nicor
9 Energy's ability to attract Nicor Gas employees is greater than that of other
10 suppliers. I am totally in the dark as to how Mr. Mierzwa would know all the job
11 offers made to the many individual employees at Nicor Gas that have switched
12 jobs to marketers, brokers and suppliers so that such a claim could reasonably be
13 made.

14 Q. Mr. Mierzwa claims that under *Customer Select* workable competition does not
15 exist. Please comment.

16 A. I have responded to Mr. Mierzwa's claim in my rebuttal testimony. I would only
17 point out that this issue was extensively argued in proceedings relating to affiliate
18 transactions with electric utilities in Docket Nos. 98-0013 and 98-0035
19 Consolidated. In that case, Dr. Kevin Murphy testified that, "If entry is
20 sufficiently easy, an industry could be vigorously competitive with only a single
21 firm" (Rebuttal testimony page 6, line 1-3). I agree with Dr. Murphy and
22 continue to believe that there is competition in *Customer Select*.

1 Q. GCI witness Alexander continues to advocate that the Company needs to do much
2 more in the way of consumer education. Do you agree?

3 A. I agree with Ms. Alexander that consumer education is important. It should be the
4 common goal of all the participants in *Customer Select* to provide educational
5 materials and training to customers that are interested. Knowledgeable customers
6 will encourage development of new products and services.

7 Q. Mr. Iannello's rebuttal testimony addresses the direct testimony of GCI witness
8 Alexander. Specifically, he recommends at page 18, lines 355 through 357 that a
9 workshop be set up to address the consumer education issues Ms. Alexander
10 addressed. Does the Company agree that such a workshop could be useful?

11 A. Yes. As I stated in my rebuttal testimony, Nicor Gas is not categorically opposed
12 to Ms. Alexander's recommendations concerning customer education. The
13 Company believes that a workshop concerning customer education would be
14 appropriate, and Nicor Gas would be willing to host such a workshop at the
15 conclusion of these proceedings. However, the Company continues to have
16 difficulty reconciling Ms. Alexander's beliefs that Nicor Gas must do
17 substantially more in consumer education when her fellow witness, Mr. Mierzwa,
18 is against any recovery of costs. Of course, the Company is willing to work with
19 other participants to develop educational materials, but only to the extent it has
20 budgeted.

21 Q. Ms. Alexander has raised the issue of a potential lack of consumer protection in
22 the *Customer Select* program. Do you share her concerns?

1 A. First, Ms. Alexander weaves into her testimony a claim that consumer protection
2 is more important in the natural gas industry than other industries because, "the
3 lack of home heating has significant health and safety impacts" (Rebuttal page 4,
4 lines 14-15). This implies that an unreliable supplier results in a customer having
5 no gas service. This is simply not true. The Company has designed *Customer*
6 *Select* in a manner that assures that all customers will receive required gas
7 supplies. As such, consumer protection issues cannot be directly tied to a
8 customer's reliability of service.

9 Of course, Nicor Gas is aware that in any industry there is the potential for some
10 consumers to be taken advantage of. It happens every day in every industry and,
11 in that respect the natural gas industry is no different than any other. However,
12 speaking as a non-attorney, I would certainly think that all natural gas customers
13 have access to existing consumer protection laws. If a customer has a problem
14 with a Supplier it can seek a correction either through the complaint procedures of
15 the Commission or through the court system. Since these protections already
16 exist, any additional protections that Ms. Alexander suggests that are specific to
17 the natural gas industry should be considered for all utilities and not just the
18 *Customer Select* program. Accordingly, generic hearings and workshops are
19 more appropriate for consideration of these issues.

20 Q. Ms. Alexander refers to complaints that CUB and the Illinois Attorney General
21 have received concerning *Customer Select*. Do you have any comments on
22 these complaints?

1 A. Yes. Both CUB and the Attorney General's Office have submitted complaints
2 they have received concerning *Customer Select*. CUB has attached exhibits to
3 Mr. Cohen's testimony of ⁸⁷~~58~~ alleged complaints, and Mr. Hurley has attached
4 three complaints to his testimony. However, in reviewing Mr. Cohen's
5 attachments to his testimony, it appears to me that ⁴³~~29~~ items are not complaints but
6 simply requests for information on *Customer Select*, whereas the other ³⁴~~18~~ items
7 can be considered complaints. One complaint is against CUB and ³³~~18~~ are related
8 to activities under *Customer Select*.

9 I believe the Commission needs to consider these ³⁶~~21~~ complaints in the context of
10 the entire program. Over 110,000 customers participate in *Customer Select* and,
11 as of the end of 2000, the Company has issued about 1.7 million bills. In the first
12 year of the program, 150,000 customers were solicited by Suppliers to sign-up. In
13 year two, 235,000 customers were eligible, and in years three and four, 440,000
14 customers were eligible. Assuming two contacts per customer, over 2.5 million
15 contacts have resulted in ³⁶~~21~~ complaints. Viewed in this context, it is rather
16 amazing that there are so few complaints. While the Company would, of course,
17 prefer that there be no complaints, the minimal number of complaints shows that
18 the Company has designed a good program.

19 Q. What comment do you have on Ms. Alexander's statement that it is unlikely that
20 Nicor Gas would police the advertising and conduct of Suppliers?

21 A. I believe she is correct to a certain extent. The Company does not view itself as
22 an omnipresent force that could or would oversee every nook and cranny of the

1 industry. Rather, Nicor Gas would react in a timely and efficient manner to assist
2 any customer with a valid complaint. However, as in any competitive industry,
3 the Company believes that it is generally appropriate to rely on the market to
4 weed out any Suppliers that are unethical or do not perform as required. In
5 addition, the Company lacks the ability to force other companies to take particular
6 actions. Other than removing Suppliers from the program for not complying with
7 the Standards of Conduct, the Company's enforcement role is limited.

8 Q. Ms. Alexander stresses the actions taken in other states such as Pennsylvania and
9 Ohio to protect consumers and suggests that Illinois should follow suit. What
10 comments do you have on this issue?

11 A. I find it interesting that at page 10 of her rebuttal testimony she lists problems that
12 consumers in these states are facing in spite of all these alleged consumer
13 protections. In addition, at line 8 on page 10, she concludes that recent
14 experiences in those states would "indicate the need for more, not less, consumer
15 protection and oversight by state regulatory commissions". Obviously, as shown
16 by recent events, the market is going to override the best intentions of mere
17 mortals.

18 Q. Ms. Alexander's final issue in her rebuttal testimony concerns the issue of
19 whether or not third parties should be allowed to issue bills that include the
20 utility's charges. What comments do you have on this issue?

1 A. Nicor Gas currently opposes allowing any other entity to issue a bill for its
2 charges under *Customer Select*. For the most part, Ms. Alexander has highlighted
3 concerns that are shared by Nicor Gas.

4 Q. Staff witness Schlaf also addresses the single bill issue. What comments do you
5 have on Dr. Schlaf's testimony?

6 A. Not having been involved in the electric deregulation cases, Dr. Schlaf has
7 thoroughly confused me with his description of the rules or absence of rules in the
8 electric business. It appears to me that, throughout his testimony, he is mixing
9 and matching single billing through a Single Bill Option (SBO) tariff, a Retail
10 Energy Supplier (RES) account agent and a non-RES account agent to coincide
11 with the argument he is attempting to make.

12 However, before I respond to Dr. Schlaf's many recommendations, I wish to point
13 out that the numerous single billing rules and regulations that apply in the electric
14 industry in Illinois that Dr. Schlaf holds up as the standard have not yet reached
15 the residential level. Not one electric supplier has issued a bill for electric service
16 to one residential customer. Gas utilities in Illinois, on the other hand, have
17 successfully dealt with single billing for large and small commercial and
18 industrial customers for many years without regulation by the Commission. The
19 market evolved in a manner where it became appropriate to have Suppliers bill
20 large commercial and industrial customers, and the same may ultimately happen
21 with residential customers. But that remains to be seen.

1 I would also like to point out that many of the recommendations of Dr. Schlaf
2 would increase the operating costs of *Customer Select* for both the Company and
3 Suppliers. As an example, Dr. Schlaf recommends on page 4 that Suppliers
4 operating in the program obtain switching authorization from customers by means
5 of a document that is similar to the Letter of Agency required by suppliers selling
6 power to electric customers. However, the success of *Customer Select* has been
7 significantly enhanced by the paperless, electronic signup process. Requiring a
8 Letter of Agency document would negate the electronic process and increase
9 costs to both the Company and Suppliers. Any incremental costs to the Company
10 should be passed through to the Supplier in the Monthly Account Charge. A
11 Letter of Agency document would make the signup process more cumbersome for
12 Suppliers and increase their acquisition costs, resulting in lower profit margins.
13 Dr. Schlaf's position would appear to be in conflict with that expressed by Staff
14 witnesses Iannello and Sweatman, who argue that such costs are barriers to entry
15 in the program.

16 Q. Dr. Schlaf makes a comparison between single-billing services offered by electric
17 utilities, as required by law, and those available to "account agents". What is
18 your understanding of single-billing offered by electric utilities?

19 A. It is my understanding that "The Electric Customer Choice and Rate Relief Law
20 of 1997" requires each electric utility under Commission jurisdiction to offer a
21 single-billing option ("SBO"). This provision does not, however, apply to gas
22 utilities, so I believe it is beside the point.

1 Q. What is your understanding on how an "account agent" can offer a single-billing
2 service to its customers?

3 A. An alternative retail supplier, by acting as the agent for the customer, is entitled to
4 receive the customer's bill. The account agent takes the utility's charges from this
5 bill, adds its own charges and then sends the final bill to the customer.

6 Q. Are you surprised by Dr. Schlaf's statement on page 5 that only two, possibly
7 three alternative electric suppliers are offering single billing, SBO, services?

8 A. No. Given that an alternative electric supplier can avoid significant costs by
9 acting as an agent instead of using the utility's SBO rate, it is certainly not
10 surprising that few alternative electric suppliers offer a single-billing service
11 under an SBO.

12 Q. What is your opinion of allowing account agents to bill *Customer Select* charges?

13 A. The Company's proposed tariffs do not allow a participant in *Customer Select* to
14 designate a Supplier to receive its bill. As Dr. Schlaf's testimony shows, doing so
15 would allow the Supplier to avoid informing the customer of the information that
16 Nicor Gas is required to provide under 83 Illinois Administrative Code, Part
17 500.330.

18 I believe all the parties to this proceeding would agree that the bill is the most
19 important communication tool the utility has to directly contact the customer.

20 That is precisely why Suppliers want to do the billing. However, the account
21 agent can circumvent all the Commission's rules concerning billing because they
22 are inapplicable. By acting as the account agent, a Supplier minimizes the costs

1 of providing a combined bill but is not required to provide Commission required
2 information.

3 Q. On pages 7 and 8 of his testimony, Dr. Schlaf discusses the number of customers
4 using agents and why Suppliers operate as agents. Do you have any comments?

5 A. I would like to stress that the percentages of customers using agents are for non-
6 residential customers and agency may not be an appropriate way to handle large
7 volumes of small customers, which are the object of *Customer Select*.

8 As to Dr. Schlaf's second reason for suppliers operating as agents to relieve the
9 burden of figuring out how to navigate through the deregulated energy market,
10 that rationale would appear to be relevant for electric customers but not natural
11 gas customers. As I have previously stated, the natural gas market has been
12 deregulated for many years and it is quite simple to find a supplier and purchase
13 gas. In fact, over 15,000 Nicor Gas customers are still on the Company's
14 traditional transportation service tariffs benefiting from open access
15 transportation.

16 Q. Do you disagree with Dr. Schlaf's three reasons for suppliers to offer single
17 billing services?

18 A. I would tend to agree with the first reason, that some customers may want single-
19 billing. However, I do not believe that they necessarily want the combined bill to
20 come from the Supplier. They may prefer to have the combined bill come from
21 the utility.

1 I would also agree with his second reason that Suppliers want to be the single
2 point of contact with the customer.

3 Unfortunately, I cannot agree with his third reason because I don't see how
4 single-billing allows Suppliers to develop innovative pricing offers. Even Dr.
5 Schlaf's examples have nothing to do with pricing offers but simply "bundling" or
6 combining one charge with another. In my opinion, innovative pricing offers
7 would be various types of fixed pricing, variable pricing, and budget programs
8 which a Supplier can offer irrespective on how the bill is formatted.

9 Q. Why is it appropriate that Suppliers participating in *Customer Select* not be
10 allowed to act as account agents?

11 A. Dr. Schlaf correctly points out that traditional transportation customers can
12 appoint an account agent and in that manner receive a combined bill. However,
13 this option is only available to non-residential customers. The Company is
14 proposing to expand *Customer Select* to all 1.8 million residential customers.
15 Allowing Suppliers to act as account agents for this many customers would result
16 in the Company and the Commission losing contact with them, or at least having
17 far less contact. For residential and small commercial customers, the loss of
18 contact with the Company cannot be permitted to happen. The safety of
19 customers is dependent on them knowing who to call in an emergency. Gas
20 safety issues are distinct from electric safety issues and many times require a
21 prompt response by the Company. Any delay in responding to a customer's call
22 where a gas leak is involved could have severe consequences. The utility losing

1 contact with the customer could result in leak and emergency calls being
2 misdirected to their Supplier, which could delay or even eliminate a utility
3 response. When customers become more familiar with *Customer Select* and
4 understand that Nicor Gas is the entity to call in an emergency, the Company
5 would then consider allowing Suppliers to issue our bill. However, now is not the
6 time.

7 Q. Would you comment on Dr. Schlaf's discussion of the ten reasons you stated in
8 your rebuttal testimony for not offering single billing by Suppliers?

9 A. Yes. It is unclear which of Dr. Schlaf's responses are related to single billing
10 under an SBO, RES account agency or non-RES account agency when he refers
11 to the electric industry. I will only comment based on account agency as RES and
12 non-RES have no bearing on gas utility Suppliers. I still believe each reason I
13 gave supports not allowing a Supplier to single bill under *Customer Select*. My
14 comments for each reason are as follows:

15 1) I believe Dr. Schlaf's testimony actually supports my view that the
16 Company would not be able to comply with Parts 280 and 500 because Suppliers
17 would be offering single billing as account agents. As an account agent, the
18 Commission cannot control what is or is not communicated to the customer.

19 2) Dr. Schlaf's reliance on the electric industry's minimal experience with
20 deregulation and even less experience with single billing services cannot
21 reasonably offset the fact that, with one Supplier responsible for thousands of
22 customers, Nicor Gas' credit risk would be increased.

1 3) Dr. Schlaf points out that determining how various types of payments are
2 handled can result in costly investments by Nicor Gas and Suppliers. Nicor Gas'
3 response to this would increase program costs and costs for Suppliers. Thus, Dr.
4 Schlaf is encouraging adding costs, while other Staff witnesses support positions
5 designed to decrease costs to reduce alleged barriers to entry. Dr. Schlaf also
6 acknowledges, "the larger the volume of customers, the more difficult the
7 administrative burdens". Participation in *Customer Select* already exceeds
8 participation in electric choice programs for the entire state of Illinois.

9 4) Again Dr. Schlaf's proposal to have Nicor Gas periodically send a limited
10 number of messages directly to customers would add to the cost of the program
11 which, according to other Staff witnesses, would decrease competition and raise
12 barriers to entry. Moreover, there is no requirement for Suppliers to forward
13 Company communications to either residential or non-residential customers. I
14 see no conflict with allowing non-*Customer Select* transportation customers to use
15 account agents because these are non-residential customers.

16 5) Customer billing information is not used by the Supplier to determine and
17 manage supplies for the individual customer because the Company determines the
18 daily nominations for the Supplier. This contrasts with non-*Customer Select*
19 Suppliers who are responsible for determining how much gas to bring into the
20 system for each customer each day.

21 6) No comment.

1 7) Lacking the single-billing option has not hindered increased participation
2 in *Customer Select*. Irrespective of which Suppliers or how many Suppliers there
3 are serving the customers, there are more customers in *Customer Select* today
4 than ever before. Dr. Schlaf's opinion that the virtually non-existent deregulated
5 electric industry is a better model for allowing single billing service in this case
6 rather than the highly competitive telephone industry is baseless.

7 8) With respect to the cost of allowing single billing by Suppliers, the entire
8 cost would be an incremental cost to Nicor Gas because Nicor Gas' single billing
9 service is already operational.

10 9) Allowing a Supplier to provide single billing would require significant
11 programming time. With an order in this case anticipated in July, 2001, the
12 Company's proposed implementation date of March, 2002 would in all likelihood
13 not be achievable.

14 10) The Company would need to consider increasing Supplier deposits if
15 single billing by the Supplier were allowed. Again, Dr. Schlaf's proposal would
16 increase Suppliers' costs, while the other Staff witnesses are arguing to decrease
17 costs.

18 Finally, I would like to mention that, after investigation of The Peoples Gas Light
19 and Coke Company's small volume transportation pilot program, the Commission
20 found that it was not appropriate to order Peoples to allow single billing by
21 Suppliers.

1 Q. Dr. Schlaf also recommended that Nicor Gas not supply a customer's credit
2 history and payment history as a part of its routine response to a Supplier's
3 request for customer information. What is Nicor Gas' policy with respect to a
4 customer's credit and payment history?

5 A. Nicor Gas does not routinely provide this information. However, if the Supplier
6 has authorization from the customer to receive this information from Nicor Gas,
7 the Company will provide it for a fee.

8 Q. Dr. Schlaf also recommends that Nicor Gas send notification letters to customers
9 after receiving notices from Suppliers. What is the Company's position on
10 notifying customers?

11 A. Nicor Gas currently sends the notification to the customer the day after the
12 Company receives the enrollment information from the Supplier. The Supplier
13 may also be sending a notification to the customer. Nicor Gas intends to continue
14 to send a notice for the foreseeable future, even though it is not a requirement of
15 the proposed tariffs. However, the proposed tariff does require the Supplier to
16 also send a notice to the customer. The Company's intent is to eventually have
17 only the Supplier send the notice.

18 Q. Does this conclude your surrebuttal testimony?

19 A. Yes.

Summary of Group Usage

Total Group Metered/Estimated Usage	53,802,857.61
Current Month Unbilled Usage	18,765,211.25
Reverse Prior Month Unbilled Usage	30,227,373.86
Total Group Usage	42,340,695.00

Summary of Charges

Group Charges

Monthly Group Charge				\$	200.00
Account Charge	88,431	x \$	1.00 per customer	\$	88,431.00
Supplier Switching Charge	0	x \$	10.00 per customer	\$	0.00
				\$	88,631.00

Gas Supply Charge

	Therms	Rate per therm	
Aggregator Balancing Service Charge (ABSC)	42,340,695.00	x \$ 0.0166	\$ 702,855.54
Transition Surcharge (TS)	42,340,695.00	x \$ 0.0000	\$ 0.00
Storage Service Cost Recovery Charge (SSCR)	42,340,695.00	x \$(0.0002)	\$ (8,468.14)
Total Gas Supply Charge			\$ 694,387.40

Non-Performance Charge

Underdelivery - Critical Day	\$ 0.00
- Non-Critical Day	\$ 0.00
Overdelivery - Non-Critical and Critical Days	\$ 0.00
Total Non-Performance Charge	\$ 0.00

Billing Service Charge

# of bills	Rate	
100,489	x \$ 0.50	\$ 50,244.50
		\$ 833,262.90

Cash-Out Amount

	Therms	Therms	Rate
Storage balance beginning of month	45,434,865.44		
End of month storage target	32,747,525.04		
Storage Credit/(Debit)		12,687,340.40	
Group Deliveries	29,386,831.39		
Group Usage	(42,340,695.00)		
Usage Credit/(Debit)		(12,953,863.61)	
Usage/Storage Imbalance		(266,523.21)	
Imbalance carry-over (+/- 4,869,384)		(266,523.21)	(Applied to March noms)
Cash-out at established index		0.00 x \$ 0.8618 *	\$ 0.00
			\$ 833,262.90

Tax

	Dollars/Therms	Rate	
State Utility Tax	\$ 833,262.90	x 0.050	\$ 41,663.15
State Utility Fund Tax	\$ 833,262.90	x 0.001	\$ 833.26

Total Charges

\$ 875,759.31

* Daily Midpoint for each day identified by Gas Daily weighted by Company planned purchases for each day.

NICOR GAS

Gas Transportation Customer Service Center P.O. Box 190 Aurora, IL 60507-0190 (630) 983-4040

Surrebuttal
Exhibit AEH-1
Page 2 of 2

Day	Under-Delivery Non-Performance								
	& Actual Nomination	& Req. Daily Delivery	Non-Perf. Over(Under)	Rate	Over Delivery	Non Critical Day	Critical Day		
							Gas Cost	Penalty	Total
1/ 1/2001	1,210,850.21	1,210,850.21	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 2/2001	1,097,946.29	1,097,946.29	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 3/2001	1,007,623.15	1,007,623.15	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 4/2001	793,105.70	793,105.70	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 5/2001	985,042.37	985,042.37	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 6/2001	917,300.02	917,300.02	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 7/2001	962,461.58	962,461.58	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 8/2001	1,007,623.15	1,007,623.15	0.00	#	0.00	0.00	0.00	0.00	0.0
1/ 9/2001	928,590.41	928,590.41	0.00	#	0.00	0.00	0.00	0.00	0.0
1/10/2001	883,428.84	883,428.84	0.00	#	0.00	0.00	0.00	0.00	0.0
1/11/2001	860,848.06	860,848.06	0.00	#	0.00	0.00	0.00	0.00	0.0
1/12/2001	815,686.49	815,686.49	0.00	#	0.00	0.00	0.00	0.00	0.0
1/13/2001	793,105.70	793,105.70	0.00	#	0.00	0.00	0.00	0.00	0.0
1/14/2001	793,105.70	793,105.70	0.00	#	0.00	0.00	0.00	0.00	0.0
1/15/2001	793,105.70	793,105.70	0.00	#	0.00	0.00	0.00	0.00	0.0
1/16/2001	951,171.19	951,171.19	0.00	#	0.00	0.00	0.00	0.00	0.0
1/17/2001	917,300.02	917,300.02	0.00	#	0.00	0.00	0.00	0.00	0.0
1/18/2001	939,880.80	939,880.80	0.00	#	0.00	0.00	0.00	0.00	0.0
1/19/2001	939,880.80	939,880.80	0.00	#	0.00	0.00	0.00	0.00	0.0
1/20/2001	883,428.84	883,428.84	0.00	#	0.00	0.00	0.00	0.00	0.0
1/21/2001	883,428.84	883,428.84	0.00	#	0.00	0.00	0.00	0.00	0.0
1/22/2001	883,428.84	883,428.84	0.00	#	0.00	0.00	0.00	0.00	0.0
1/23/2001	860,848.06	860,848.06	0.00	#	0.00	0.00	0.00	0.00	0.0
1/24/2001	1,007,623.15	1,007,623.15	0.00	#	0.00	0.00	0.00	0.00	0.0
1/25/2001	917,300.02	917,300.02	0.00	#	0.00	0.00	0.00	0.00	0.0
1/26/2001	928,590.41	928,590.41	0.00	#	0.00	0.00	0.00	0.00	0.0
1/27/2001	951,171.19	951,171.19	0.00	#	0.00	0.00	0.00	0.00	0.0
1/28/2001	883,428.84	883,428.84	0.00	#	0.00	0.00	0.00	0.00	0.0
1/29/2001	849,557.66	849,557.66	0.00	#	0.00	0.00	0.00	0.00	0.0
1/30/2001	815,686.49	815,686.49	0.00	#	0.00	0.00	0.00	0.00	0.0
1/31/2001	871,931.56	871,931.56	0.00	#	0.00	0.00	0.00	0.00	0.0
	28,334,480.08	28,334,480.08			\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.0
Carryover from November	1,052,351.31								
Group Deliveries	29,386,831.39								

@ Critical Day 1 mmbtu = 10 therms

* Underdelivery Price based on the higher of Rider 6 Gas Supply Cost or Market Price (defined in Terms and Conditions)

Overdelivery Price based on 100% of Gas Daily Chicago Citygate low price.

Price based on Gas Daily Chicago Citygate

Overdelivery price at 0.9 times the low price, underdelivery at 1.1 times high price.

& Unaccounted for adjustment is 1.48%

Summary of Group Usage

Total Group Metered/Estimated Usage	38,099.79
Current Month Unbilled Usage	18,247.56
Reverse Prior Month Unbilled Usage	26,492.75
Total Group Usage	29,854.60

Summary of Charges
Group Charges

Monthly Group Charge				\$	200.00
Account Charge	31	x	\$ 1.00 per customer	\$	31.00
Supplier Switching Charge	0	x	\$ 10.00 per customer	\$	0.00
				\$	231.00

Gas Supply Charge

	Therms	Rate per therm		
Aggregator Balancing Service Charge (ABSC)	29,854.60	x \$ 0.0166	\$	495.59
Transition Surcharge (TS)	29,854.60	x \$ 0.0000	\$	0.00
Storage Service Cost Recovery Charge (SSCR)	29,854.60	x \$(0.0002)	\$	(5.97)
Total Gas Supply Charge			\$	489.62

Non-Performance Charge

Underdelivery - Critical Day	\$	0.00
- Non-Critical Day	\$	7,537.33
Overdelivery - Non-Critical and Critical Days	\$	0.00
Total Non-Performance Charge	\$	7,537.33

Billing Service Charge

# of bills	Rate	
31	x \$ 0.50	\$ 15.50
		\$ 8,273.45

Cash-Out Amount

	Therms	Therms	Rate	
Storage balance beginning of month	33,194.69			
End of month storage target	24,455.11			
Storage Credit/(Debit)		8,739.58		
Group Deliveries	22,257.94			
Group Usage	(29,854.60)			
Usage Credit/(Debit)		(7,596.66)		
Usage/Storage Imbalance		1,142.92		
Imbalance carry-over (+/- 3,636)		1,142.92	(Applied to March noms)	
Cash-out at established index		0.00 x \$ 0.8618 *	\$	0.00
			\$	8,273.45

Tax

	Dollars/Therms	Rate	
State Utility Tax	\$ 8,273.45	x 0.050	\$ 413.67
State Utility Fund Tax	\$ 8,273.45	x 0.001	\$ 8.27

Total Charges

\$ 8,695.39

* Daily Midpoint for each day identified by Gas Daily weighted by Company planned purchases for each day.

NICOR GAS

Gas Transportation Customer Service Center P.O. Box 190 Aurora, IL 60507-0190 (630) 983-4040

Surrebuttal
Exhibit AEH-2
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Day	Under-Delivery Non-Performance								
	& Actual Nomination	& Req. Daily Delivery	Non-Perf. Over(Under)	Rate	Over Delivery	Non Critical Day	Critical Day		
							Gas Cost	Penalty	Total
1/1/2001	768.46	866.98	(98.52)	1.2540 #	0.00	123.54	0.00	0.00	0.0
1/2/2001	768.46	768.46	0.00	#	0.00	0.00	0.00	0.00	0.0
1/3/2001	689.64	689.64	0.00	#	0.00	0.00	0.00	0.00	0.0
1/4/2001	502.45	502.45	0.00	#	0.00	0.00	0.00	0.00	0.0
1/5/2001	502.45	669.94	(167.49)	1.0549 #	0.00	176.69	0.00	0.00	0.0
1/6/2001	325.12	610.82	(285.70)	1.1000 #	0.00	314.27	0.00	0.00	0.0
1/7/2001	325.12	650.23	(325.11)	1.1000 #	0.00	357.62	0.00	0.00	0.0
1/8/2001	325.12	689.64	(364.52)	1.1000 #	0.00	400.97	0.00	0.00	0.0
1/9/2001	334.97	620.68	(285.71)	1.1660 #	0.00	333.14	0.00	0.00	0.0
1/10/2001	295.56	581.27	(285.71)	1.1330 #	0.00	323.71	0.00	0.00	0.0
1/11/2001	275.86	561.56	(285.70)	1.1385 #	0.00	325.27	0.00	0.00	0.0
1/12/2001	236.45	522.16	(285.71)	1.0384 #	0.00	296.68	0.00	0.00	0.0
1/13/2001	216.74	502.45	(285.71)	1.0230 #	0.00	292.28	0.00	0.00	0.0
1/14/2001	216.74	502.45	(285.71)	1.0230 #	0.00	292.28	0.00	0.00	0.0
1/15/2001	216.74	502.45	(285.71)	1.0230 #	0.00	292.28	0.00	0.00	0.0
1/16/2001	216.74	640.38	(423.64)	1.0230 #	0.00	433.38	0.00	0.00	0.0
1/17/2001	325.12	610.82	(285.70)	0.9515 #	0.00	271.84	0.00	0.00	0.0
1/18/2001	344.82	630.53	(285.71)	0.8965 #	0.00	256.14	0.00	0.00	0.0
1/19/2001	394.08	630.53	(236.45)	0.8250 #	0.00	195.07	0.00	0.00	0.0
1/20/2001	295.56	581.27	(285.71)	0.8778 #	0.00	250.80	0.00	0.00	0.0
1/21/2001	295.56	581.27	(285.71)	0.8778 #	0.00	250.80	0.00	0.00	0.0
1/22/2001	295.56	581.27	(285.71)	0.8778 #	0.00	250.80	0.00	0.00	0.0
1/23/2001	275.86	561.56	(285.70)	0.8800 #	0.00	251.42	0.00	0.00	0.0
1/24/2001	403.93	689.64	(285.71)	0.8063 #	0.00	230.37	0.00	0.00	0.0
1/25/2001	295.56	610.82	(315.26)	0.7887 #	0.00	248.65	0.00	0.00	0.0
1/26/2001	334.97	620.68	(285.71)	0.8360 #	0.00	238.85	0.00	0.00	0.0
1/27/2001	266.00	640.38	(374.38)	0.8052 #	0.00	301.45	0.00	0.00	0.0
1/28/2001	266.00	581.27	(315.27)	0.8052 #	0.00	253.86	0.00	0.00	0.0
1/29/2001	266.00	551.71	(285.71)	0.8052 #	0.00	230.05	0.00	0.00	0.0
1/30/2001	236.45	522.16	(285.71)	0.7744 #	0.00	221.25	0.00	0.00	0.0
1/31/2001	285.71	463.04	(177.33)	0.6985 #	0.00	123.87	0.00	0.00	0.0
	10,797.80	18,738.51			\$ 0.00	\$ 7,537.33	\$ 0.00	\$ 0.00	\$ 0.0
Carryover from November 3,519.43									
Group Deliveries 22,257.94									

@ Critical Day 1 mmbtu = 10 therms

* Underdelivery Price based on the higher of Rider 6 Gas Supply Cost or Market Price (defined in Terms and Conditions)

Overdelivery Price based on 100% of Gas Daily Chicago Citygate low price.

Price based on Gas Daily Chicago Citygate

Overdelivery price at 0.9 times the low price, underdelivery at 1.1 times high price.

& Unaccounted for adjustment is 1.48%

**Northern Illinois Gas Company
d/b/a Nicor Gas Company
Response to:
Citizens Utility Board
III. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated
Fifth Data Request**

- CUB 5.3 Q. On p. 25 Mr. Harms refers to a recommendation by Mr. Mierzwa as "single issue ratemaking." Please define the term "single issue ratemaking" and state the source of the definition.
- A. Mr. Harms used the Illinois Supreme Court's definition of "single issue ratemaking." According to the Court, "single issue ratemaking" is a ratemaking principle that:

recognizes that the revenue formula is designed to determine a utility's revenue requirement based on the utility's aggregate costs and demand. [citation omitted]. The rule prohibits the Commission from considering changes to components of the revenue requirement in isolation. Consideration of any one item in the revenue formula in isolation risks understatement or overstatement of the revenue requirement. [citation omitted]. *Citizens Util. Bd. v. Illinois Commerce Comm'n*, (1995), 166 Ill.2d 111, 136-37, 651 N.E.2d 1089, 1102, *reh'g denied* (citing *Business and Prof'l People for the Pub. Interest v. Illinois Commerce Comm'n*, (1991), 146 Ill.2d 175, 244-45, 585 N.E.2d 1032, 1061-62).

When the Commission examines costs within the framework of a proposed change in base rates, the regulatory principle that prohibits single-issue ratemaking requires the Commission to examine the impact of the expense on the utility's overall revenue requirement. *Citizens*, 166 Ill.2d at 137, 651 N.E.2d at 1102. See also *Archer-Daniels-Midland Co. v. Illinois Commerce Comm'n*, (1998), 184 Ill.2d 391, 401, 704 N.E.2d 387, 392 (same).

Company Witness: Albert E. Harms